

THE ARC OF ST. MARTIN, INC.

St. Martinville, Louisiana

FINANCIAL STATEMENTS

June 30, 2012 and 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 19 2012

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(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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INDEPENDENT AUDITORS' REPORT

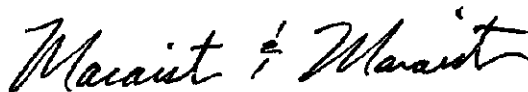
To the Board of Directors of
The Arc of St. Martin, Inc.
St. Martinville, Louisiana

We have audited the accompanying statements of financial position of The ARC of St. Martin, Inc. (a not for profit organization) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012 on our consideration of The ARC of St. Martin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Maraist & Maraist, CPA's

November 29, 2012

THE ARC OF ST. MARTIN, INC.
 St. Martinville, Louisiana
STATEMENTS OF FINANCIAL POSITION
 June 30, 2012 and 2011

<u>ASSETS</u>		<u>2012</u>	<u>2011</u>
Current Assets:			
Cash and cash equivalents	\$	71,487	\$ 146,073
Investments-certificates of deposit		146,433	228,252
Accounts receivable		266,331	189,016
Accrued interest receivable		123	470
Total current assets	\$	<u>484,374</u>	\$ <u>563,811</u>
Fixed Assets:			
Property and equipment, net	\$	<u>618,134</u>	\$ <u>629,124</u>
Other Assets:			
Investment in St. Martin Villa, Inc.	\$	<u>20,176</u>	\$ <u>20,176</u>
TOTAL ASSETS	\$	<u>1,122,684</u>	\$ <u>1,213,111</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable and accrued expenses	\$	36,899	22,500
Accrued salaries		38,375	25,033
Current portion of notes payable		<u>22,245</u>	<u>21,062</u>
Total current liabilities	\$	<u>97,519</u>	\$ <u>68,595</u>
Notes payable, less current portion		84,736	104,559
Total liabilities	\$	<u>182,255</u>	\$ <u>173,154</u>
Net Assets:			
Unrestricted	\$	868,803	\$ 938,747
Temporarily restricted		71,626	101,210
Total net assets	\$	<u>940,429</u>	\$ <u>1,039,957</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,122,684</u>	\$ <u>1,213,111</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF ST. MARTIN, INC.
 St. Martinville, Louisiana
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Public Support:			
Contributions	\$ 6,941		\$ 6,941
Program revenues	2,497,844		2,497,844
Other Revenue:			
Client fees	49,003		49,003
Membership dues	1,500		1,500
Work contracts	36,895		36,895
Thrift store sales	131,082		131,082
Interest/dividend income	1,348		1,348
Net assets released from restrictions:			
Federal Transit Administration Section 5310 depreciation on restricted vans	29,584	\$(29,584)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>\$2,754,197</u>	<u>\$(29,584)</u>	<u>\$2,724,613</u>
<u>EXPENSES:</u>			
Program services:			
Adult habilitation	\$1,708,792		\$1,708,792
Residential services	676,455		676,455
Total program services	<u>\$2,385,247</u>	<u>-</u>	<u>\$2,385,247</u>
Support services:			
General and administrative	438,894	-	438,894
TOTAL EXPENSES	<u>\$2,824,141</u>	<u>-</u>	<u>\$2,824,141</u>
CHANGE IN NET ASSETS	\$ (69,944)	\$(29,584)	\$ (99,528)
NET ASSETS, BEGINNING OF YEAR	<u>938,747</u>	<u>101,210</u>	<u>1,039,957</u>
NET ASSETS, END OF YEAR	<u>\$ 868,803</u>	<u>\$ 71,626</u>	<u>\$940,429</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF ST. MARTIN, INC.
 St. Martinville, Louisiana
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Public Support:			
Contributions	\$ 10,698		\$ 10,698
Program revenues	2,497,749		2,497,749
Grants revenues-FTA Section 5310			
Other Revenue:			
Client fees	69,619		69,619
Membership dues	1,090		1,090
Work contracts	39,031		39,031
Thrift store sales	122,011		122,011
Interest/dividend income	2,816		2,816
Net assets released from restrictions:			
Federal Transit Administration Section 5310 depreciation on restricted vans	44,909	\$(44,909)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>\$2,787,923</u>	<u>\$(44,909)</u>	<u>\$2,743,014</u>
<u>EXPENSES:</u>			
Program services:			
Adult habilitation	\$1,746,903		\$1,746,903
Residential services	691,377		691,377
Total program services	<u>\$2,438,280</u>	<u>-</u>	<u>\$2,438,280</u>
Support services:			
General and administrative	405,052	-	405,052
TOTAL EXPENSES	<u>\$2,843,332</u>	<u>-</u>	<u>\$2,843,332</u>
CHANGE IN NET ASSETS	\$ (55,409)	\$(44,909)	\$ (100,318)
NET ASSETS, BEGINNING OF YEAR	<u>994,156</u>	<u>146,119</u>	<u>1,140,275</u>
NET ASSETS, END OF YEAR	<u>\$ 938,747</u>	<u>\$101,210</u>	<u>\$1,039,957</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>	<u>2011</u>
Change in net assets	\$ (99,528)	\$ (100,318)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	73,464	84,288
(Increase)/decrease in accounts receivable	(77,315)	47,691
Increase/(decrease) in accounts payable and accrued expenses	14,399	(11,539)
(Increase)/decrease in accrued interest receivable	347	260
Increase/(decrease) in accrued salaries	13,342	5,659
Net cash provided by operating activities	<u>\$ (75,291)</u>	<u>\$ 26,041</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Reinvestment in long-term certificates of deposit	\$ 81,819	\$ (2,992)
Purchase of fixed assets(net)	<u>(62,474)</u>	<u>(93,300)</u>
Net cash used for investing activities	<u>\$ 19,345</u>	<u>\$ (96,292)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from debt financing	\$ --	\$ 86,000
Debt principal payments	<u>(18,640)</u>	<u>(18,026)</u>
Net cash from financing activities	<u>\$ (18,640)</u>	<u>\$ 67,974</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (74,586)	\$ (2,277)
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>146,073</u>	<u>148,350</u>
CASH AND CASH EQUIVALENTS-End of Year	<u>\$ 71,487</u>	<u>\$ 146,073</u>
<u>SUPPLEMENTAL DATA:</u>		
Interest Paid	<u>\$ 6,659</u>	<u>\$ 6,374</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012
(with comparative totals for the Year Ended June 30, 2011)

	Adult <u>Habilitation</u>	Residential <u>Homes</u>	Total Program <u>Services</u>
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 1,298,337	\$ 327,459	\$ 1,625,796
Employee benefits	63,096	42,386	105,482
Payroll taxes	105,646	28,293	133,939
 Total salaries and related expenses	 \$ 1,467,079	 \$ 398,138	 \$ 1,865,217
 Rental of property	 --	 -	 --
Maintenance & repairs	8,383	9,834	18,217
Professional fees	26	9,641	9,667
Supplies	--	8,542	8,542
Insurance	65,329	22,278	87,607
Interest	4,557	2,046	6,603
Utilities & telephone	8,242	14,620	22,862
Dues & publications	772	6,242	7,014
Automotive	66,008	9,390	75,398
Provider fees & licenses	1,105	56,657	57,762
Office expenses	10,694	612	11,306
Personal client needs	315	3,515	3,830
Travel, seminars, etc.	6,366	--	6,366
Consultant fees	5,500	13,545	19,045
Educational	5,472	17,370	22,842
Dietary	7,239	37,439	44,678
Medical & nursing	3,354	11,853	15,207
Habilitation costs	--	27,221	27,221
Training	5,931	343	6,274
Association responsibility	1,571	297	1,868
Housekeeping	444	1,378	1,822
Other	1,892	5,102	6,994
 Total expenses before depreciation	 \$ 1,670,279	 \$ 656,063	 \$ 2,326,342
Depreciation	38,513	20,392	58,905
 Total expenses	 \$ 1,708,792	 \$ 676,455	 \$ 2,385,247

The accompanying notes are an integral part of these financial statements.

Management and General	Year End Totals	
	6/30/12	6/30/11 (Memorandum Only)
\$ 283,259	\$ 1,909,055	\$ 1,925,771
12,725	118,207	122,566
24,332	158,271	158,320
<hr/>	<hr/>	<hr/>
\$ 320,316	\$ 2,185,533	\$ 2,206,657
--	--	3,125
16,257	34,474	34,201
9,666	19,333	42,433
15,042	23,584	26,462
9,137	96,744	89,172
--	6,603	4,727
24,018	46,880	48,591
12,981	19,995	8,119
--	75,398	60,266
--	57,762	59,798
14,042	25,348	22,032
--	3,830	6,824
2,876	9,242	--
--	19,045	15,475
--	22,842	19,515
--	44,678	44,746
--	15,207	19,950
--	27,221	33,713
--	6,274	7,244
--	1,868	2,814
--	1,822	1,798
--	6,994	1,382
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\$ 424,335	\$ 2,750,677	\$ 2,759,044
14,559	73,464	84,288
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\$ 438,894	\$ 2,824,141	\$ 2,843,332
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THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The ARC of St. Martin, Inc. is a Louisiana not-for-profit community organization governed by a volunteer board of directors, which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded and developmentally disabled citizens of St. Martin Parish, Louisiana. The Association was incorporated in August, 1986 to provide day care services, work training services, respite and personal care services to the developmentally disabled, and residential housing for qualifying individuals.

Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and liabilities.

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred, in accordance with the accrual basis of accounting.

Restrictions on net assets at June 30, 2012 and June 30, 2011 relate to transportation vans obtained by the Association through Section 5310 of the Federal Transit Act, which provides for capital grants for the specific purpose of assistance in providing transportation services to meet the special needs of elderly and disabled persons for whom mass transportation services are unavailable, insufficient, or inappropriate. The program is administered by the Louisiana Department of Transportation and Development. The vans obtained with these funds must be used for transportation services for the elderly and disabled within the Association's service area. The Department of Transportation and Development must be immediately notified if the equipment is not used in the aforementioned manner or if it is withdrawn from service. Disposition of the vehicle must have DOTD approval and must be in conformity with the provisions of OMB Circular A-102, Attachment N. Dispositions must be at current market value and a portion of the funds received must be returned in proportion to the original percentage of Federal funds contributed.

It is the policy of the Association to amortize the asset restricted over its estimated useful life using the straight-line method. Temporarily restricted assets at June 30, 2012 and 2011 respectively, were \$71,626 and \$101,210.

The Association records noncash donations as contributions at their estimated fair value at the date of the donation. Many volunteers have donated significant amounts of time to the ARC of St. Martin's special events. The value of this contributed time is not reflected in the accompanying financial statements because the criteria for recognition under SFAS No. 116 have not been satisfied.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Cash Equivalents

The ARC of St. Martin considers all cash accounts and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents. Fair values approximate carrying values for all cash equivalents, due to the initial maturities of the instruments being three months or less.

Investments

Investments of the ARC of St. Martin, Inc. consist exclusively of long-term certificates of deposit, and are presented in the financial statements at cost, which approximates fair market value. The Association held no investments in marketable securities or government bonds for fiscal years ended June 30, 2012 or 2011.

Income Taxes

The Association accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). On January 1, 2009, the Association adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax provisions.

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization other than a private foundation under Section 501 (c) (3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Therefore, no provision for federal income taxes has been made in the accompanying financial statements and the Association does not have any uncertain tax positions.

Third Party Revenues

A substantial share of the Association's contract revenues for services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association. There were no retroactive adjustments paid to third party payers for the years ended June 30, 2012 or 2011.

Property and Equipment

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets generally as follows:

Buildings	40 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

Expenses for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Betterments and renewals are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Functional Allocation of Expenses

Functional expenses are allocated among the various program services, general and administrative, and fundraising categories based on actual use or management's best estimate.

Estimates

The preparation of the Association's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) ACCOUNTS RECEIVABLE

Accounts receivable primarily represent amounts due from various Federal/State agencies and are deemed to be fully collectible by management, and therefore, no allowance has been provided for bad debts. As of June 30, 2012 and 2011, accounts receivable was composed of the following:

	<u>2012</u>	<u>2011</u>
Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	\$ 239,414	\$ 155,183
U S Treasury	-0-	142
Work contracts receivable	3,565	4,422
Due from United Way	303	-0-
Thrift store receivables	1,311	-0-
Due from affiliates	13,421	19,310
Due from clients/employees	8,317	9,959
	<u>\$ 266,331</u>	<u>\$ 189,016</u>
Total	<u>\$ 266,331</u>	<u>\$ 189,016</u>

(3) PROPERTY, EQUIPMENT AND DEPRECIATION

Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Land and buildings	\$ 748,312	\$ 748,312
Furniture, fixtures, & equipment	73,670	76,998
Vehicles	494,668	520,201
	<u>\$ 1,316,650</u>	<u>\$ 1,345,511</u>
Subtotal	<u>\$ 1,316,650</u>	<u>\$ 1,345,511</u>
Less: Accumulated Depreciation	<u>(698,516)</u>	<u>(716,387)</u>
Total	<u>\$ 618,134</u>	<u>\$ 629,124</u>

Depreciation expense was \$73,464 and \$84,288 for the years ended June 30, 2012 and 2011, respectively.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(4) **NOTES PAYABLE**

The notes payable balance consists of a real estate mortgage note dated January 24, 2009, in the original amount of \$148,150, bearing interest at 6.5% per annum, payable in monthly installments of \$1,499.94, with a carrying value of \$28,901, payable to St. Martin Bank and Trust, and secured by a mortgage on the Association's thrift store building and property, located on North Main Street in St. Martinville, LA. Interest expense on the note for the year ended June 30, 2012 was \$2,331, and for the year ended June 30, 2011 was \$3,269.

Additionally, On October 15, 2010, the Association purchased another thrift store building and property located on East Bridge Street in Breaux Bridge, LA. The note payable balance with St. Martin Bank and Trust, in the original amount of \$86,176, and bearing interest at 5.25% per annum, payable in monthly installments of \$800.00, with a carrying value of \$78,080, is secured by a mortgage on the store building and property. Interest expense on the note for the year ended June 30, 2012 was \$4,272, and for the year ended June 30, 2011 was \$3,350.

The annual requirements to amortize these notes at June 30, 2012, including interest of \$25,675, are as follows:

Years Ending:	St. Martinville <u>Store</u>	Breaux Bridge <u>Store</u>	<u>Totals</u>
June 30, 2013	\$ 17,999	\$ 9,600	\$ 27,599
June 30, 2014	12,607	9,600	22,207
June 30, 2015	-	9,600	9,600
June 30, 2016	-	9,600	9,600
June 30, 2017	-	9,600	9,600
June 30, 2018-2022	-	48,000	48,000
June 30, 2023-2024	-	6,050	6,050
Totals	<u>\$ 30,606</u>	<u>\$102,050</u>	<u>\$132,656</u>

(5) **FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with the Fair Value Measurements and Disclosure topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Association.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(5) **FAIR VALUE OF FINANCIAL INSTRUMENTS(Continued)**

Fair Value Hierarchy

In accordance with this guidance, the Association groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

Investment in Certificates of Deposit – The fair value of investments in certificates of deposits is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2012:			
Certificates of Deposit	<u> -</u>	<u>\$146,433</u>	<u> -</u>
June 30, 2011:			
Certificates of Deposit	<u> -</u>	<u>\$228,252</u>	<u> -</u>

(6) **RETIREMENT PLANS**

The ARC of St. Martin, Inc. does not have or sponsor an employee retirement plan. All employees of the ARC of St. Martin, Inc. are covered by the Social Security System. The Association and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the Association; 5.65% contributed by the employee). The Association's contributions during the year ended June 30, 2012 amounted to \$144,106.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(7) **COMPENSATED ABSENCES**

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. Leave time not used in the fiscal period that it is earned cannot be carried over to subsequent periods, and is forfeited. Therefore, there is no material accumulated leave at June 30, 2012 and 2011 and accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(8) **FIDUCIARY FUNDS**

The Association acts as a fiduciary agent for the residents of its Community Homes Program. Checking accounts are maintained for each resident, as applicable. Deposits include the resident's social security benefits, their payroll checks, and miscellaneous gifts from family members. Disbursements consist of daily living expenses, based upon the residents' individual needs. The balances in these checking accounts at June 30, 2012 and 2011 was \$8,440 and \$13,253. These funds are not included in the statement of financial position of the ARC of St. Martin.

(9) **CONCENTRATIONS OF REVENUE/CASH BALANCES**

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health and Hospitals Office of Family Security, Medical Assistance Program – Medicaid/ Title XIX are on a per diem basis. These payments, reported as residential and habilitation service fees, are considered a payment for a service as opposed to a grant award. In addition, the Association receives state grants from the Department of Health and Hospitals Office for Citizens with Developmental Disabilities on a per diem basis.

If significant budget cuts are made at the federal, state and/or local levels the amount of funding the Association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Association will receive in the next fiscal year. Should such a reduction in funding occur, however, management believes that changes can be incorporated into the continuing operations without a catastrophic result.

The Association maintains substantially all of its cash deposit accounts at St. Martin Bank and Trust and Midsouth Bank. Cash accounts at banks are insured by the FDIC for up to \$250,000 at 6/30/12 and 6/30/11. Cash and certificate of deposit balances at these institutions did not exceed federally insured limits as of June 30, 2012 and 2011, respectively.

(10) **LITIGATION**

There is no litigation pending against The ARC of St. Martin at June 30, 2012 in which the result would have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

(11) **INVESTMENT IN ST. MARTIN VILLA, INC.**

The investment in St. Martin Villa, Inc. represents a capital contribution from The ARC of St. Martin to the St. Martin Villa, Inc., which is a non-profit corporation sponsored by The ARC of St. Martin, Inc. The St. Martin Villa is a rental facility operated for the benefit of individuals with disabilities.

THE ARC OF ST. MARTIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(12) RELATED PARTY TRANSACTIONS

During fiscal years ended June 30, 2012 and June 30, 2011, the Association maintained a portion of its cash and investments in one bank at which one of the Association's board members also served as an officer and director.

(13) BOARD OF DIRECTORS

Members of the Board of Directors are elected annually by the members of the Association, and serve on a voluntary basis. The directors receive no compensation for their services.

(14) RISK MANAGEMENT

The Association is exposed to risks of loss in the areas of auto liability, property liability, fidelity bond and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the years ended June 30, 2012 or June 30, 2011.

(15) SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through November 29, 2012, the date on which the financial statements were available for issue, and has determined that no events occurred that require disclosure.

INTERNAL CONTROL AND COMPLIANCE

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF

LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The ARC of St. Martin, Inc.
St. Martinville, Louisiana

We have audited the financial statements of The ARC of St. Martin, Inc. (a not for profit organization), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of The ARC of St. Martin, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The ARC of St. Martin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARC of St. Martin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ARC of St. Martin's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

To the Board of Directors of
The ARC of St. Martin, Inc.

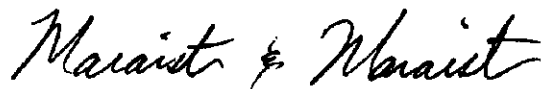
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as item 12-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC of St. Martin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

The ARC of St. Martin's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the ARC of St. Martin's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Maraist & Maraist, CPA's

November 29, 2012

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana

Schedule of Audit Findings and Responses

Year Ended June 30, 2012

Part I: Summary of Audit Results:

1. The auditor's report expressed an unqualified opinion on the financial statements of the ARC of St. Martin, Inc.
2. One control deficiency relating to the financial statements of the ARC of St. Martin, Inc. was reported in the "*Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*," (Item 12-1), however, it was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the ARC of St. Martin, Inc. were reported in the "*Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*".
4. There was no single audit requirement under OMB Circular A-133.

Part II: 2012 Findings – Financial Statement Audit:

INTERNAL CONTROL

12-1 Segregation of Duties

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Criteria: Segregation of duties should be adequate to provide effective internal control.

Effect: The segregation of duties is inadequate to provide effective internal control.

Recommendation: No action is recommended. It would not be cost effective to increase the size of the staff to achieve effective segregation of duties.

Management's Response: We concur with the finding.

Contact Person: Carolyn Fuselier, Administrator

COMPLIANCE

None

Part III: Management Letter:

No findings for the year ended June 30, 2012.

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana

Schedule of Prior Year Audit Findings

Year Ended June 30, 2012

Part I: 2011 Findings - Financial Statement Audit:

INTERNAL CONTROL

11-1 Segregation of Duties

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Current Status: A similar finding was noted in the current year.

COMPLIANCE

None

Part II: Management Letter

No reported findings for the year ended June 30, 2011.